

Town of Franklin

Borrowing - Debt & Interest Presentation

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February 3, 2021, Town Council
February 24, 2021, Finance Committee

Borrowing & Issuing Debt, slide #1

- Treasurer may borrow to meet current financial obligations
- Long Term Borrowing:
 - Chapter 44 sets out strict rules and procedure regarding municipal borrowing. The issuance of long-term debt always requires a two-thirds vote of legislative body (Town Council).
 - The proceeds of a bond can be used only for the purpose of the loan.
 - Federal regulations are designed to limit the borrowing process as a method of leveraging interest obligations to produce interest income.
- Presents good financial health.

Borrowing & Issuing Debt, slide #2

- Bond Rating
 - Town currently has a AA+ bond rating (S&P)
 - Bond ratings are established by private rating agencies and reflect agency's judgement as to a community's capacity and willingness to pay interest and principal in a timely fashion.
- Competitive interest rates. Which is critical to saving taxpayer money
 - Issuers bid and lowest net rate is selected
 - Rates are at an all time low
 - Sometimes issuers include a bond premium or "sweetener"
 - Most recent interest rate 1.33%
 - Interest is tax exempt to bond holders resulting in even lower interest rates
- The Town works closely with Hilltop Securities our Financial Advisor to monitor trends.

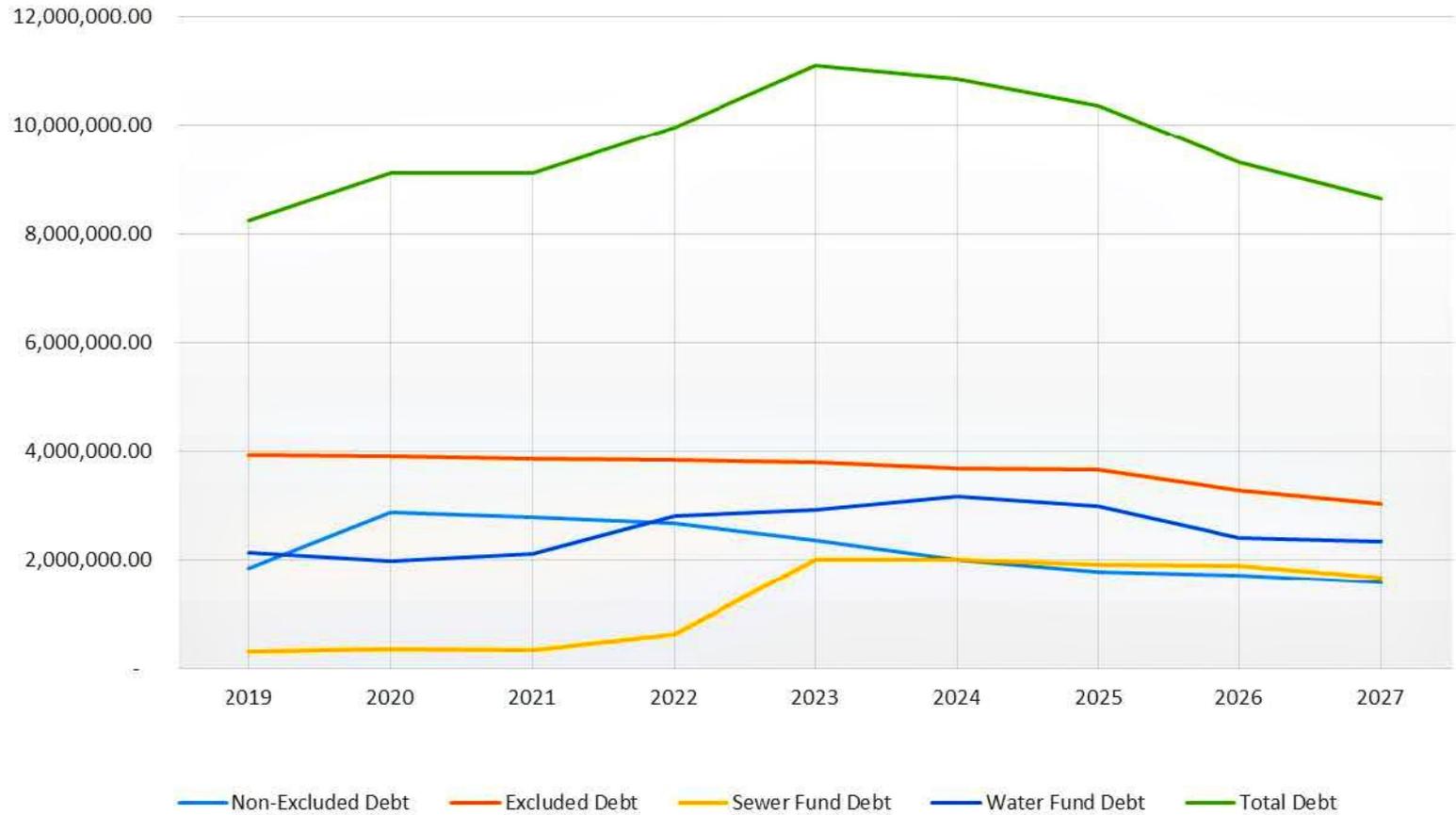
Borrowing & Issuing Debt - Town Status

- Town Council & Finance Committee 2019 policy up to 3.5% (target) of “recurring general fund revenue” for non-exempt debt only.
- Debt Limit - equalized valuation times 5% (EQV x 5%).
- Capacity for Borrowing - Debt limit minus existing debt.
- The Town is currently at 2.2 % in FY21.
- With various recent authorizations that will trend upwards.

Types of Municipal Debt

- Non-excluded debt - payments are made from within the 2 ½ percent levy.
- Excluded debt is in addition to the 2 ½ percent levy providing a dedicated source of tax revenue - when an issue is paid off the levy decreases.
- Sewer & Water Enterprise Fund debt is funded through utility rates providing a dedicated source of funding.
- Bond Anticipation Notes (BANS) - short term borrowing provides financial stability until enough debt is incurred to issue bonds (higher issuance costs).
- State Revolving Fund (SRF) funding available for water and sewer at subsidized interest rates.

Debt History/Projection



Municipal Debt General Fund Projections

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Non-Excluded Debt	1,860,336.67	2,877,926.39	2,790,365.00	2,687,320.00	2,371,935.00	2,001,805.00	1,776,100.00	1,715,700.00	1,580,300.00
Excluded Debt	3,935,710.21	3,902,740.00	3,871,375.00	3,847,930.00	3,805,485.00	3,685,775.00	3,662,875.00	3,289,900.00	3,029,650.00
Sewer Fund Debt	302,306.00	353,796.00	325,440.00	617,006.81	1,999,898.78	1,998,940.32	1,920,301.86	1,890,383.40	1,670,464.94
Water Fund Debt	2,146,115.96	1,985,445.98	2,127,036.59	2,804,770.32	2,932,052.83	3,171,074.87	3,004,564.43	2,411,980.66	2,349,799.70
Total Debt	8,246,487.84	9,121,928.37	9,116,237.59	9,959,049.13	11,111,394.61	10,859,619.19	10,365,866.29	9,309,990.06	8,632,241.64

Trends Summary

- Non-excluded debt begins to significantly decline in FY23;
- Excluded Debt is largely the High School bonds which expire in FY39 and FY43
- Water Debt rises in FY22 to pay for the water treatment plant and wells
- Sewer debt is low, but will climb with Beaver Street Interceptor

Non Exempt Bonds	Sunset Fiscal Year
Adv Ref May 1, 2002 Public Buildings Remodeling (I)	2023
Various School Building Repairs (I)	2023
Adv Ref April 1, 2003 Municipal Offices (I)	2024
Adv Ref April 1, 2003 School Remodeling (I)	2024
Adv Ref April 1, 2004 School Remodeling (I)	2025
Adv Ref March 15, 2006 DPW Garage (I)	2025
Adv Ref March 15, 2006 Horace Mann School 2 (I)	2027
Adv Ref March 1, 2009 Senior Center (I)	2029
Adv Ref March 1, 2009 Fire Station (I)	2029
Adv Ref March 1, 2009 School Remodeling (I)	2029

Current Non-Exempt Debt Exclusions

- Many major projects will fall off the schedule steadily over the next decade.
- Critical to maintain facilities & public infrastructure.
- Less upkeep is more expensive.

2003 Horace Mann refunded 2001
Sunset Year: FY2024

2005 Keller Sullivan refunded 2012
Sunset Year: FY2026

2006 Horace Mann refunded 2015
Sunset Year: FY2027

2014 High School refunded 2015 (2 notes)
Sunset Year: FY 2039 and 2043

Current Exempt Debt

- In FY 24-27, debt exclusions sunset.
- Tax rate in those years will be reduced and the “sunset” will be reflected in the tax rate hearing.
- After FY27, the two High School Bonds will only remain.

Current Projects/Future Projects - General Fund

- In 2020, the Town Council approved and Finance Committee supported \$15 million in new authorization for borrowing. 5-year plan of critical work buildings that departments anticipate for next 5 years.
 - Municipal: Municipal Building, Technology, sidewalk investments.
 - Schools: High School updates & R-J remodel project highlights.
- Police Station Renovation & Expansion - Estimate \$25 million w/o land.
 - Will require a study and debt exclusion for financing.
- Recycling Center - 3-5 years - Estimate \$5 million.
- Other: land purchases, major recreational investments, public infrastructure investments, specialized vehicles, storm water.

Current Projects/Future Projects - Water & Sewer

- Beaver Street Interceptor - \$25 million - addressing the most critical project in town.
- 5-year water main replacement plan (we are in year 3).
- Water Treatment Plant, Wells 3 & 6. April 2021 expected completion date.
- Water and Sewer fund have annual capital repairs and projects that go through the capital committee for annual appropriations paid for each year in the Enterprise fund budget.

Summary

- The Town's operating budget debt has levelled off and will begin to see a decline in that budget line item. The Town should aim for 3%, at a minimum, for the next ten years.
- The Town's debt exclusions begin to also trend downward in significance in FY25.
- The Town's Water & Sewer debt will climb in 2023 due to the Beaver Street Interceptor and water treatment plant. This project sets the Town up for stability after this project.
- The Town has some additional debt capacity for general fund throughout the next decade.
- Need to balance borrowing carefully to not pay too much interest!